

Kentucky Public Employees' Deferred Compensation Authority (Authority)

Executive Summary for the Blue Ribbon Commission October 2007

The Authority was established in 1975 by Kentucky Revised Statute (18A.230-275). Plan administrated by the Authority, under the direction of a Board of Trustees. All plans have received written approval by the Internal Revenue Service. All funds are held in trust for the exclusive benefit of plan participants. Plan documents are able to be modified (amended) in an expeditious manner. A 7-member Board of Trustees has the ultimate responsibility for the administration of the Authority.

Plans currently offered:

Internal Revenue Code 401(k), including a Roth 401(k) option as well as deemed IRAs (both Traditional and Roth), and Internal Revenue Code 457. 401(k) Plan provides for an employer match program.

Eligibility:

Automatically eligible:

All employees of Kentucky state government, public colleges and universities as well as public elementary and secondary schools

Also eligible upon completion of Employer Joinder Agreement:

All employees of cities, counties, public libraries, public water districts and other eligible public subdivisions (i.e. Kenton County Airport Board)

Eligibility to participate is immediate upon employment. There are no waiting restrictions or open enrollment periods.

Participation as of June 30, 2007:

Employers – 811

Participants – 70,227 (state-26,857; education-20,884 and other 22,486)

Total assets – \$1.5 billion (approx.)

Total annualized deferrals (approx.) – \$113 million

Total payouts (unaudited) 2006 – 8,929

Total payout dollars (unaudited) 2006 – \$89 million (approx.)

Funding structure:

All costs are borne by the participants. The total average annual participant fee is 0.77%. **No** state tax dollars are used in support of the Authority's plans. There are no costs to any employer, other than minimal payroll processing expenses or the employer's share of a 401(k) match program. Due to the design of defined contribution plans such as the Authority administers there are no unfunded employer liabilities. In fact, the Authority maintains an administrative cash reserve (approximately 1 year of expenses) in the unlikely event current year revenues are inadequate to pay current year expenditures.

Investment options:

1 stable value fund and 27 no-load mutual funds (Vanguard, Fidelity, T. Rowe Price, etc.), including 5 age-based life cycle funds. Investments may be either self-directed or employer directed.

Plan features:

Loans are currently available, but may be restricted at employer/plan level. Financial Hardships/Unforeseeable Financial Emergencies are currently available, but may be restricted at employer/plan level, as well.